



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC ORDERS SOUND ENERGY SOLUTIONS TO OBTAIN STATE APPROVAL FOR LNG PROJECT; SEEKS REHEARING OF FERC'S SOLE JURISDICTION RULING

SAN FRANCISCO, April 22, 2004 – The California Public Utilities Commission (PUC) today opened an investigation into the proposal of Sound Energy Solutions (SES) to construct a liquefied natural gas (LNG) facility in Long Beach and ordered SES to file an application for a Certificate of Public Convenience and Necessity (CPCN) if it intends to pursue construction of the project. The Commission also voted to seek rehearing of a ruling by the Federal Energy Regulatory Commission (FERC) stating that FERC has sole jurisdiction over where an LNG facility is located in California and the safety requirements each facility must have. The Commission's request for rehearing also challenges the FERC's order, because FERC has no basis for preempting the State's environmental requirements with regard to the proposed LNG facilities. In addition to the Commission, other state and local agencies have become concerned about the extreme position that FERC has taken.

California is actively seeking new and diverse energy resources, among them, natural gas supplies. The Commission recently opened a rulemaking (R.04-01-025) to pursue strategies for development of natural gas resources in California. LNG is among the promising options the Commission has identified for importing natural gas supplies. In California, several projects are under consideration for various sites along the coast.

The proposed LNG project, as described by SES, would be an LNG storage and regasification facility situated on 25 acres at the Port of Long Beach. LNG would be shipped to California aboard ocean-going LNG carriers from gas-producing regions abroad. The LNG would be stored and then either regasified for sale to natural gas customers in California or sold as a liquid for use in LNG-powered vehicles in California.

SES has applied to FERC for authority to construct the LNG facility. The Commission has filed pleadings regarding SES' proposal at FERC addressing jurisdictional and public policy issues. The Commission is a "responsible agency" under the California Environmental Quality Act, which implies certain obligations to protect the public. Significantly, the Commission has the exclusive statutory duty over safety and siting of natural gas facilities in California.

Because SES would use the proposed LNG facilities to sell natural gas into California's natural gas markets, SES would be a public utility under California Public Utilities Code. As a public utility, SES must apply for and receive a CPCN from the Commission prior to commencement of construction of its proposed facility.

The investigation opened today formalizes the Commission's statutory obligation to oversee SES' proposed project and its impact on California customers, residents, and businesses.

SES was informed of the Commission's interest in the matter and jurisdiction over the project in a letter dated Oct. 30, 2003. The letter advised SES that it would have to apply for and receive a CPCN from the Commission in order to construct and operate its facility legally.

To date, SES has not applied for any authority from the PUC. In order to avoid delay of PUC review of this project, the Commission will not wait for a final resolution of jurisdictional questions SES has posed to FERC, choosing instead to conduct a review of relevant issues by opening this investigation.

The Commission may ultimately support the project or some modified version of it because it would provide some of the state's near-certain need for future natural gas supplies. But the Commission has a responsibility to assure that if the project is ultimately approved and constructed, it does not unduly compromise public safety or the effective and efficient operation of California energy markets.

The schedule in this proceeding will depend in part upon the date SES files its application at this Commission.

For more information on the PUC, please visit www.cpuc.ca.gov.

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